PROVINCE OF ALBERTA

# OFFICE OF THE

# ETHICS COMMISSIONER

# ANNUAL REPORT 2003-2004

## ABOUT THE OFFICE OF THE ETHICS COMMISSIONER

The Office of the Ethics Commissioner exists as a result of and operates under the *Conflicts of Interest Act* (Chapter C-23 of the Revised Statutes of Alberta 2000).

The Ethics Commissioner is an Officer of the Legislative Assembly. The Ethics Commissioner is appointed by Order-in-Council following passage of a motion in the Legislative Assembly approving the appointment. The motion follows a report and recommendation from the all-party Standing Committee on Legislative Offices.

The Ethics Commissioner reports to the Legislative Assembly through the Speaker with respect to annual reports, investigation reports, and matters relating to the Ethics Commissioner's jurisdiction or authority under the *Conflicts of Interest Act*, with the exception of administrative matters. The Ethics Commissioner presents budgetary estimates through the Standing Committee. The Legislative Assembly approves the budget for the Office of the Ethics Commissioner.

Upon receiving a report from the Ethics Commissioner, the Speaker is required to make the report public. If the Legislature is in session, the report is tabled at that time in the Legislature. If the Legislature is not in session, the report is released publicly and tabled when the Legislature next sits. (Reference: section 28 of the *Conflicts of Interest Act*.)

Under the *Conflicts of Interest Act*, the Legislative Assembly shall deal with an investigation report by the Ethics Commissioner within 60 days after the tabling of the report, or such other period determined by a resolution of the Legislative Assembly.

Under section 29 of the *Conflicts of Interest Act*, the Legislative Assembly may accept or reject the findings of the Ethics Commissioner or substitute its own findings and may if it determines that there is a breach

(a) impose the sanction recommended by the Ethics Commissioner or any other sanction referred to in section 27(2) it considers appropriate, or

(b) impose no sanction.

The Ethics Commissioner reports and recommends to the Assembly. The Legislative Assembly has full and final authority with respect to disciplinary matters relating to its Members.

Further information on the functions and responsibilities of the Office of the Ethics Commissioner may be obtained by contacting the office:

Office of the Ethics Commissioner
1250, 9925 - 109 Street, Edmonton, Alberta T5K 2J8
Phone: (780) 422-2273 Fax: (780) 422-2261
E-mail: generalinfo@ethicscommissioner.ab.ca
Website: www.ethicscommissioner.ab.ca

105-02403/

# OFFICE OF THE ETHICS COMMISSIONER

Donald M Hamilton, Commissioner

September 1, 2004

Hon. Kenneth R. Kowalski
Speaker of the Legislative Assembly
325 Legislature Building
Edmonton, Alberta
T5K 2B6

Dear Mr. Speaker:

It is my honour and pleasure to submit to you the Annual Report of the Office of the Ethics Commissioner, covering the period from April 1, 2003 to March 31, 2004.

This report is submitted pursuant to section 46(1) of the *Conflicts of Interest Act*, Chapter C-23 of the 2000 Revised Statutes of Alberta.

Yours very truly,

Donald M. Hamilton
Ethics Commissioner

1250, 9925 - 109 Street, EDMONTON, ALBERTA T5K 2J8 • Telephone: (780) 422-2273 • Fax: (780) 422-2261
E-mail: generalinfo@ethicscommissioner.ab.ca Website: www.ethicscommissioner.ab.ca

## ETHICS COMMISSIONER'S REMARKS

This is my first report to the Legislative Assembly as Ethics Commissioner for the Province of Alberta. I was appointed to the position effective May 28, 2003.

Almost immediately following my appointment, I became involved in the disclosure process for Members of the Legislative Assembly. I confided to many Members that I felt awkward looking at the disclosure statements – that I was prying into people's very personal information. Nevertheless, I believe very strongly that it is an important role for my office. The disclosure of sources of income, assets, liabilities and financial interests is a key component of a conflict of interest program. The meetings with Members allowed me the opportunity to learn something about each Member beyond the financial information. I am impressed by the quality of representation in this province and by what I believe is a sincere desire by them to do the right thing for the people of Alberta.

The conflict of interest process followed in Alberta, which I understand was modeled after the practices in Ontario and British Columbia, is a good one. It is important for the Commissioner to be independent of government so that all Members can approach the office for advice or request an investigation. Reporting through the Legislature ensures that matters are given the transparency the public expects. I commend the Legislature for the procedure used in hiring Legislature Officers and for their support for the independence of the offices.

In September, I attended two conferences: the annual meeting of the Canadian Conflict of Interest Commissioners and the annual conference of the Council on Governmental Ethics Laws. These sessions were a first step in the development of a network of contacts to assist me in carrying out my responsibilities. I am grateful to all my ethics colleagues throughout North America for the welcome I received and for their assistance and advice.

In the fall, I began my meetings with Alberta's senior officials (primarily deputy-minister level appointees). A number of the senior officials required to disclose to my office serve on quasi-judicial boards, including the Alberta Energy and Utilities Board, the Surface Rights/Lands Compensation Boards, and the Labour Relations Board. Full-time Appeals Commissioners (or Hearing Chairs) for Workers' Compensation also file disclosure documents. As I was unfamiliar with the work carried out by some of these officials, I asked if I could observe their proceedings. I did attend a hearing at the Appeals Commission for Workers' Compensation and at the Labour Relations Board. I wish to thank the senior officials involved for accommodating my request and for allowing me to observe the proceedings and thereby gain a better understanding of the important work they perform.

I was pleased to nominate, along with Karen South, Senior Administrator in my office, that the former Ethics Commissioner, Robert C. (Bob) Clark, receive the Lieutenant Governor's Award for Excellence in Public Administration. The Institute for Public Administration in Canada, Alberta Region, accepted the nomination and the Award was presented to Bob in Calgary at McDougall Centre on December 11. The event was attended by Bob's family, friends, former Legislature Officer colleagues, his new colleagues at the Alberta Energy and Utilities Board, IPAC members and former recipients of the Award, and representatives of the Legislature and government. I have known Bob for many years and he was well-deserving of the Award.

My office continues to rely on the services provided by the Office of the Information and Privacy Commissioner. The staff of that office process our payroll and accounts payable, assist in recruitment and other human resource functions, provide information technology support, and legal services. I have found the staff of that office to be friendly, responsive in a timely manner, and cooperative in dealing with our requests. I wish to thank Frank Work, Q.C., Information and Privacy Commissioner, for his support of this arrangement and, through him, I wish to thank his staff for their assistance.

I also wish to thank my own staff. There are only three positions within the Office of the Ethics Commissioner and two of them became vacant in 2003-2004. As noted above, I was hired effective May 28. Our receptionist/administrative support position was vacant until mid-September, although we were extremely fortunate to have two exceptional individuals assist us until September: Angele Froese and Beth Levia. Following an open competition over the summer, we filled the position on a job-share arrangement with Gail Baron Simpson and Val Henkel. My thanks to them for their cheerful attitude and professional assistance to me.

This office continues to operate within a very small budget. During our budget submission to the Standing Committee on Legislative Offices in December, we presented our first ever Business Plan. We appreciate the interest the Committee has shown in learning more about the operations of the Legislature Officers, and I look forward to working with the Committee and with my Legislature Officer colleagues to improve the submissions and information provided to Members.

Under the *Conflicts of Interest Act*, a committee of the Legislative Assembly must commence a review of the Act by February 18, 2005. I anticipate that the review will be comprehensive and will generate much discussion, including matters that are in or are not in the current legislation. My office has taken note of concerns expressed by Members and we will be certain to raise the issues for discussion when the committee is created.

This annual report will be organized according to the four main functions my office performs: the financial disclosure process, provision of advice, conduct of investigations, and educational initiatives to promote understanding of Members' obligations under the Act by both Members and citizens. Any citizen who wishes more information on the operations of my office is encouraged to contact us at 780-422-2273.

## DISCLOSURE PROCESS

Over the course of a year, my office receives more than 150 disclosure statements. The number of senior officials (certain positions designated by Order-in-Council as senior official positions) varies from year to year and currently stands around 75. For the information of Albertans, I thought I would set out the process followed by my office each year.

Members file disclosure forms between April 15 and June 15. The Whips' offices on both the Government and Opposition sides are extremely helpful in ensuring Members comply with the legislation. All Members filed within the time limits in 2003.

Meetings are scheduled as documents are filed. Every effort is made to have all meetings with Members completed by the Labour Day weekend. This timing allows my office to attend conferences in September and to prepare draft copies of the public disclosure statements. In October, those draft documents are provided to Members with a request that they update any information or note any inaccuracies. The final public disclosure forms are normally provided by November 1 to the Office of the Clerk of the Legislative Assembly (as required under the *Conflicts of Interest Act*) for public access. We understand that no jurisdiction has, to date, placed copies of the public disclosure forms on a website for public access. We expect to raise it for Members' consideration when our Act is under review in 2005.

Disclosure forms are distributed to senior officials towards the end of September. Their normal filing period is October 1 to December 1. As with Members, meetings are arranged as the disclosure documents are received. These meetings are usually concluded by the end of January. All senior officials filed within the time limit in 2003.

That is the routine scheduling employed by my office. The average time an individual meets with me is half an hour. In that time, we review their disclosure forms but also discuss their work and matters of concern in their constituencies, department or agency. The meetings provide an opportunity for them to raise potential conflicts of interest or simply develop a comfort level with my office so that they will not hesitate to raise issues in the future when they do have a concern. These meetings are important to both ensure compliance with the financial disclosure requirements and to provide an opportunity for officials to give some thought to conflict of interest issues.

## PROVISION OF ADVICE

While the number of requests for advice is lower than in recent years, I was impressed by the variety and complexity of some of the matters raised with my office. Many of the matters raised are dealt with quickly, normally within 24 hours. That is not to say that the issues are simple or that perhaps Members should or do already know the answer. Sometimes they simply want a reassurance that their initial instinct is correct. Sometimes they want a letter from me to complete their records and release in the future if necessary.

In some of the more complex cases, we consult with our colleagues from other jurisdictions. Wording variations across the country do not allow our office to apply, for example, an Ontario decision to an Alberta issue. We appreciate the counsel of our colleagues; however, we must interpret the matter according to our own legislation. The legal interpretation is important – it tells us where a breach has or might occur. It is only the legal interpretation on which a Member may be found to be in breach of the Act.

It is not sufficient, in our view, for the Member to only look at the legal interpretation. Each year polls are conducted to determine the trust levels the public has with respect to various professions. Consistently, elected officials rank at the bottom or near the bottom. Whether or not the public opinion is justified – and I would argue it is not -- it should be a cause for concern. Ethical leadership must be demonstrated. The public is demanding that elected officials show integrity from the seeking of a nomination, during a campaign, and while serving in office.

Ethical leadership may be demonstrated by such things as not making promises to an electorate that you know cannot be carried out. It may mean apologizing when you find out that you cannot deliver on a promise. It is demonstrated by a show of respect for your adversaries and, in disagreeing with their point of view, acknowledging that they have the right and responsibility to represent those views and that sometimes they have legitimate concerns or alternatives that might be worthy of review. Negative campaigning or name-calling only results in a lowering of public opinion against all elected persons, including those individuals who themselves do not engage in such practices. I would encourage all Members to champion ethical leadership in their every action and speech. I particularly want to note the remarks made by Carol Haley, Member for Airdrie-Rocky View, on February 25, 2004, in the Legislature (page 161 of *Alberta Hansard*) in speaking to a point of order regarding remarks made during question period:

> In the world that we live in where so many people enter the world of politics with all the best of intentions, nothing but the right reasons for wanting to be here, it takes about four seconds before somebody's questioning whether you have any integrity. . . .
>
> . . . But when you tear us all down like this, you've hurt the whole, and there's no merit in it. There's no value to it. It is not what Albertans expect of us. Frankly, it just horrifies me, and I want it to stop.

Ethical leadership is, of course, putting public interest before private gain. It does not mean that politicians are bought by special interests if they accept a free meal or a ticket to a hockey game. It does mean that Members must be seen to be listening to many constituencies. It does mean that Members should be transparent with respect to information about what meetings they do attend and what was discussed (while respecting confidentiality and privacy laws).

It is critical at this point in Canadian history that elected officials acknowledge that the public has become very cynical about politicians and that citizens are looking for leadership. I have seen on a personal level the efforts that Alberta's Members of the Legislative Assembly – and its senior officials – make to live up to the obligations set out for them. They do ask my office for guidance, but I know they also make many, many more decisions about conflicts of interests without seeking my counsel.

Figure 1 shows general categories of requests for advice that we received in 2003-04. As has been noted in the past by this office, the subject of gifts arises most frequently. I should note that many Members advised my office that they had accepted tickets, for example, to the Canadian Heritage Classic Hockey game. I view my decision to allow them to accept the free tickets as one request for advice – regardless of how many Members asked that question or disclosed the tickets.

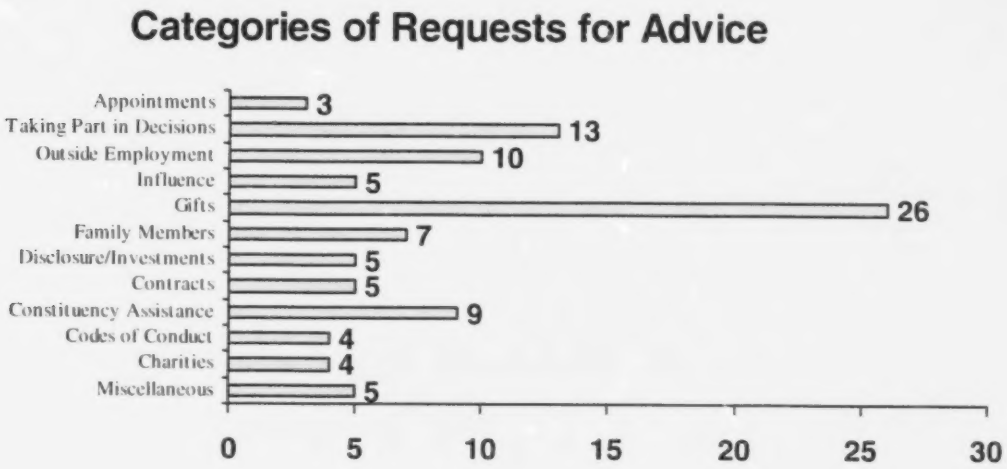


**Figure 1**

As was noted in the media in 2003, the question of travel on private aircraft became an issue across the country. In Alberta, as has been the case in some other jurisdictions, the practice was for a corporation to be reimbursed the equivalent of an economy airfare when a Member accepted travel on that corporation's aircraft. The government has similarly billed media outlets where media representatives have traveled on government aircraft along with government officials. Since Transport Canada does not allow such reimbursement to non-commercial carriers, that practice stopped. According to *Alberta Hansard*, February 25, 2004, page 154, the government has announced that a review of that travel policy or practice will be undertaken.

The statistics noted in Figure 1 include requests received from Members and senior officials and includes requests for me to talk to potential or current appointees that do not fall within the designated senior official category. While not part of my jurisdiction, I believe my office has developed an expertise in conflict of interest issues and if we can be of assistance within the broader public service, we will accept requests to meet with individuals and talk about conflicts of interests. Similarly, we are always agreeable to reviewing a draft code of conduct for a board or agency or redirecting specific concerns about the *Code*

*of Conduct and Ethics for the Public Service of Alberta* to the Personnel Administration Office, the agency responsible for issuing that code.

An official's ability to take part in a decision is raised on a regular basis. It is generally raised at the time of a specific issue before the official. In the case of an MLA, it may involve a general debate on a matter in the Legislature, a committee, or in caucus. The subject is also raised when a Member or senior official plans to acquire or has acquired an interest or would like to take on certain outside employment (permitted for MLAs who do not serve in Cabinet) and the official wants guidance on what types of situations they should pay particular attention to in order to avoid conflicts before they happen. Officials also ask whether they can take on certain employment. Potential conflicts are reviewed and, provided the officials meet their obligations, the employment is generally acceptable (i.e. no real conflicts of interest are identified at the time).

Family members' employment is also raised as an issue. There is no prohibition against family members (spouses and minor children) being employed in public service. Potential conflicts are discussed but few, if any, actual conflicts have arisen.

In responding to constituents' concerns, Members may ask whether their own interests put them in a conflict of interest. For example, a proposed development may impact the Member as well as his or her constituents. Can the Member speak to the issue? In those situations, we also consider whether there may be a perception of undue influence on the part of the Member. (I should point out that most requests for advice to my office encompass more than one category identified in Figure 1 but no request has been listed in more than one category in that figure.)

The role of an MLA has been raised in relation to a number of requests over the year. Constituency assistance has been identified as a prime responsibility. In *The Citizen's Guide to the Alberta Legislature*, Part II: Representing the People, an MLA's role in representing constituents is described as:

> . . . Often their role is simply to direct you to the people most qualified to deal with your concern, but your MLA may even become an advocate for you if your own attempts to solve a problem have been unsuccessful. . .

Similarly, federal Parliamentarians noted the importance of this function in a December 2003 report titled "The Parliament We Want, Parliamentarians' Views on Parliamentary Reform":

> Recommendation 4.2
> The ability to consult with, and speak on behalf of, members of their constituency is a critically important determinant of success and satisfaction for Parliamentarians . . .

Advocacy, from raising questions in the Legislature, to writing a letter of reference, to asking a board or agency about the status of a constituent's claim, is an important function of an elected official. Members are careful in their conduct and seek guidance on the extent to which they may act as an advocate while respecting separation of powers. The separation of powers (executive, legislative and judicial) is clear between the legislative and judicial functions. Where quasi-judicial bodies are involved, the separation is not as clear. Notwithstanding any questions concerning a proper definition of a quasi-judicial body, it is my intention to offer advice to Members in this area on a case-by-case basis. Members' possible roles in nominating individuals to boards or agencies or participating in any oversight roles (Legislature or government committees, for example) are factors, among others, that I will consider.

The issues raised in 2003-04 have demonstrated to me the keen desire Alberta's officials have to do the right thing. In almost every case, the questions and requests for advice have come before an action has been taken. That is the preferable procedure. I thank Members and senior officials for their diligence, and I encourage them to continue to meet their obligations responsibly.

My office did not conduct any investigations in 2003/04.

I have been surprised by the number and type of requests for action that come to my office. Albertans often preface their remarks to my staff with "I don't know if I have the right office, but . . ." Most often, they do not have the right office. The word "ethics" also tends to encourage complaints of "unethical" behaviour by a wide variety of individuals: Members, public servants, private companies or industries. My office refers callers to other sources for assistance whenever possible but not every complaint is easily resolved.

The non-jurisdictional "complaints" raised with my office in 2003/04 fall into the following broad categories:

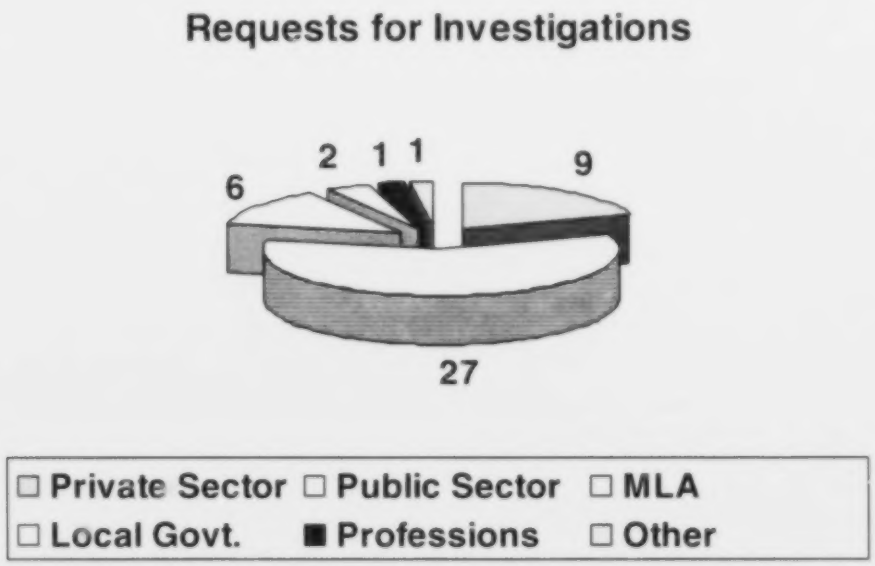


**Figure 2**

Many citizens phone my office and ask for an explanation of my jurisdiction. These calls are usually treated as requests for information as the person calling may or may not explain their concern. Some of the phone calls received in 2003-04 were referred to other Legislature Officers (primarily the Ombudsman and Information and Privacy Commissioner). We received questions concerning lobbyists registration in Alberta, forms for establishing blind trusts, gift rules, bioethics or ethics within regional health authorities, matters within the federal government's jurisdiction, and matters involving consumer complaints. We also received requests for information on the appropriate agency in Alberta for issues relating to ethics for various professions or for private sector corporations.

## I. Ethics Events or Conferences

### A. Canadian Conflict of Interest Network (CCOIN)

The annual meeting of CCOIN was held in Yellowknife in September 2003. I attended the meeting along with Karen South. The association welcomed Bill Norrie, the recently appointed Conflict of Interest Commissioner for Manitoba, and myself. With Mr. Norrie's appointment, all provinces and territories, along with the federal government, have representation in CCOIN.

During the meeting, the group also acknowledged the contribution Bob Clark, former Ethics Commissioner, made to the association and to public service. Bob and his wife Norma were able to attend the social functions in Yellowknife and the association honoured Bob at the final dinner.

### B. Council on Governmental Ethics Laws

Following the CCOIN meeting in September, I attended the conference of the Council on Governmental Ethics Laws (COGEL) in Austin, Texas. I was impressed with the plenary speakers and the ethics sessions I attended. It is my intention to continue our membership with this organization and to participate in the next conference, to be held in San Francisco in December 2004.

### C. Sheldon Chumir Foundation for Ethics in Leadership Event

Both Karen and I attended a half-day forum on reporting of wrongdoing (or whistleblowing) that was held in Calgary on October 31. The event was co-sponsored by the Chumir Foundation and Ethics Centre CA. A second session was held in Toronto. The forum commenced with a panel presentation, then allowed participants to attend a break-out session of their choice. It concluded with a luncheon keynote speaker. In all sessions, the importance of ethical leadership was raised by participants. Session attendees were encouraged to consider processes within their own organizations for dealing with allegations of wrongdoing.

### D. Ethics Practitioners' Association of Canada (EPAC) Event

A one-day event was organized by Karen South as part of her regional development activities as a member of EPAC. The focus of this one-day event was the incorporation of ethics and values in education, workplace codes or training, international assistance (both Canadians welcoming citizens from other countries and providing assistance to other nations), and the attention given to ethics in the media and in public policy. The Tanzanian Fellows (see below) were able to participate as panel speakers at this event.

## II. Tanzanian Ethics Promotion Project

A Study Tour group visited Calgary as part of the Tanzanian Ethics Promotion Project, funded by the Canadian International Development Agency (CIDA) and being carried out primarily by the University of Calgary's International Centre and IRIS Environmental Systems Inc. A reception was held for the Study Tour at the end of August 2003, and I was given an opportunity to give a brief overview of my office's responsibilities.

For three days in October, we were pleased to host the four Fellows selected for a longer visit to Canada. Matthew Kirama, Getrude Ishengoma, Coletha Kiwale and Augustus Kariya met with various Alberta officials, including Members of the Legislative Assembly at a luncheon hosted by Speaker Kenneth R. Kowalski, the Public Service Commissioner, the Ombudsman, the Metis Settlements Ombudsman, the Information and Privacy Commissioner, the Auditor General, and City of Edmonton staff involved in human resource management and ethics training.

A second group of four Fellows will be hosted by my office in April 2004.

## III. Speaking Engagements

In the first few months in office, I undertook very few speaking engagements as I focussed on carrying out my responsibilities. Early in 2004, my office began to receive a number of requests for me to participate in a panel presentation or speak to a specific group. I accepted the following speaking engagements:

October 27, "Cooperating to Create Community," Edmonton Northlands
February 11, speech to MBA students, University of Alberta
February 24, participation in panel organized by Sydney Sharpe: University of Calgary, Brain Exchange Forum on Ethics in Business
March 1, speech to graduating students in engineering design and drafting technology, Northern Alberta Institute of Technology
March 11, participation in panel organized by Western Diversification Office, Government of Canada
March 17, school at the Legislature
March 26, Grace United Church

It is my intention to accept as many speaking engagements as I can.

## IV. Publications

My office updated the brochure on our website that sets out the responsibilities of this office. A decision was made not to print any copies since the Act will be reviewed in 2005 and the information may change.

As mentioned earlier, my office also prepared a Business Plan for 2004-2005 that was submitted to the Standing Committee on Legislative Offices to assist them in their consideration of our budget submission. We have also reviewed our records management policy, computer and other electronic equipment usage policy, and approved an IT disaster recovery plan.

The pie chart below shows the percentage of requests received by our office that dealt with information, investigations, or provision of advice.

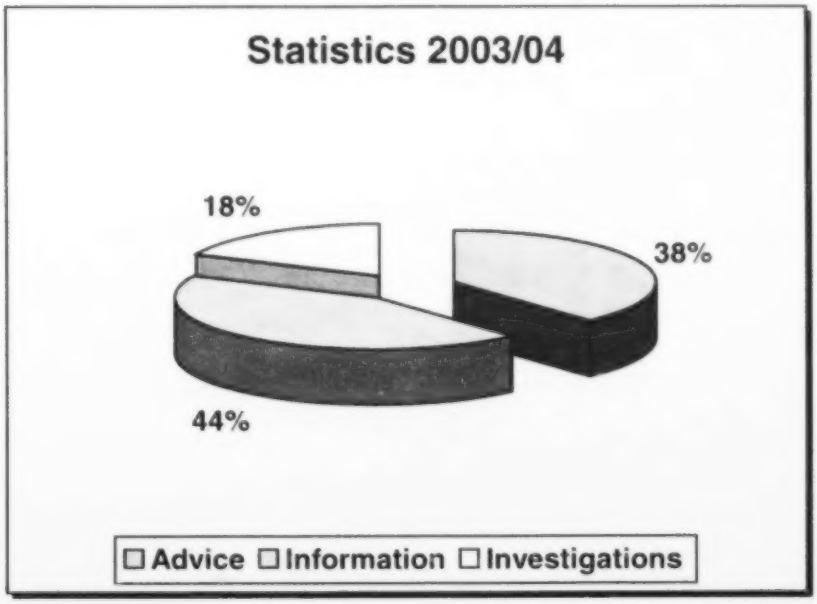


Figure 3

# Office of the Ethics Commissioner

Financial Statements

As at March 31, 2004

# OFFICE OF THE ETHICS COMMISSIONER

## FINANCIAL STATEMENTS

## AS AT MARCH 31, 2004


Auditor's Report

Statement of Financial Position

Statement of Changes in Net Liabilities

Statement of Operations

Statement of Cash Flow

Notes to the Financial Statements

Schedule 1 – Salary and Benefits Disclosure

AUDITOR GENERAL
*Alberta*

# AUDITOR'S REPORT

To the Chairman, Select Standing Committee on Legislative Offices

I have audited the statement of financial position of the Office of the Ethics Commissioner as at March 31, 2004 and the statements of changes in net liabilities, operations, and cash flow for the year then ended. These financial statements are the responsibility of the Office's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Office as at March 31, 2004 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Fred J. Dunn FCA
Auditor General

Edmonton, Alberta
June 28, 2004

OFFICE OF THE ETHICS COMMISSIONER

STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2004

| | 2004 | 2003 |
|---|---|---|
| **ASSETS** | | |
| Current assets | | |
| Prepaid expenses | $ 1,121 | $ 617 |
| Capital assets (Note 4) | 15,247 | 25,325 |
| | $ 16,368 | $ 25,942 |
| **LIABILITIES AND NET LIABILITIES** | | |
| Current liabilities | | |
| Accounts payable | $ 9,473 | $ 16,615 |
| Accrued vacation pay | 16,115 | 15,620 |
| Total current liabilities | 25,588 | 32,235 |
| Net liabilities | (9,220) | (6,293) |
| | $ 16,368 | $ 25,942 |

The accompanying notes and schedule are part of these financial statements.

## OFFICE OF THE ETHICS COMMISSIONER

## STATEMENT OF CHANGES IN NET LIABILITIES

## FOR THE YEAR ENDED MARCH 31, 2004

| | 2004 | 2003 |
|---|---|---|
| Net liabilities at beginning of year | $ (6,293) | $ (6,874) |
| Net operating results | (315,024) | (347,165) |
| Net transfer from general revenues | 312,097 | 347,746 |
| Net liabilities at end of year | $ (9,220) | $ (6,293) |

The accompanying notes and schedule are part of these financial statements.

# OFFICE OF THE ETHICS COMMISSIONER
## STATEMENT OF OPERATIONS
## FOR THE YEAR ENDED MARCH 31, 2004

| | 2004 | | 2003 |
|---|---|---|---|
| | Budget (Note 6) | Actual | Actual |
| Revenues | | | |
| Contribution from Infrastructure for accommodation provided at no charge | | $ 44,503 | $ 35,320 |
| Contribution from Innovation and Science for telephone provided at no charge | | 1,037 | 1,425 |
| Prior Year Expenditure Refund | | 67 | 95 |
| Other Revenue | | 2 | 75 |
| Shared Services-Information and Privacy Commissioner | | 634 | 333 |
| Total Revenue | | 46,243 | 37,248 |
| Expenses | | | |
| Voted | | | |
| Salary, wages, and employee benefits | | 240,039 | 270,080 |
| Supplies and services | | 64,581 | 82,869 |
| | $ 387,000 | 304,620 | 352,949 |
| Non-budgetary | | | |
| Accommodation and telephone costs | | 45,540 | 36,745 |
| Capitalization of assets expensed as supplies | | - | (2,897) |
| Amortization of capital assets | | 10,078 | 9,986 |
| Gain on disposal of assets | | (100) | - |
| Shared Services-Information and Privacy Commissioner | | 634 | 333 |
| | | 56,152 | 44,167 |
| Valuation adjustments | | | |
| Provision for vacation pay | | 495 | (12,703) |
| Total Expenses | | 361,267 | 384,413 |
| Net operating results | | $ (315,024) | $ (347,165) |

The accompanying notes and schedule are part of these financial statements.

## OFFICE OF THE ETHICS COMMISSIONER

## STATEMENT OF CASH FLOW

## FOR THE YEAR ENDED MARCH 31, 2004

| | 2004 | 2003 |
|---|---|---|
| Operating transactions | | |
| Net operating results | $ (315,024) | $ (347,165) |
| Add non-cash charges | | |
| Amortization of capital assets | 10,078 | 9,986 |
| (Gain) on disposal of capital assets | (100) | - |
| | (305,046) | (337,179) |
| Decrease (increase) in prepaid expenses | (504) | 400 |
| Increase (decrease) in accounts payable | (7,142) | 4,633 |
| (Decrease) increase in accrued vacation pay | 495 | (12,703) |
| Cash used by operating transactions | (312,197) | (344,849) |
| Investing transactions | | |
| Disposal of capital assets | 100 | - |
| Acquisition of capital assets | - | (2,897) |
| Cash used by investing transactions | 100 | (2,897) |
| Financing transactions | | |
| Net transfer from general revenues | 312,097 | 347,746 |
| Net cash provided | - | - |
| Cash, beginning of year | - | - |
| Cash, end of year | - | - |

# OFFICE OF THE ETHICS COMMISSIONER

## NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED MARCH 31, 2004

### Note 1 Authority

The Office of the Ethics Commissioner (the "Office") is operated under the authority of the Conflicts of Interest Act. The net cost of the operations of the Office is borne by the General Revenue Fund of the Province of Alberta. Annual operating budgets are approved by the Select Standing Committee on Legislative Offices.

### Note 2 Purpose

The Office of the Ethics Commissioner enhances public confidence in the integrity of Members of the Legislative Assembly and of the public service of Alberta by providing advice and guidance to Members and senior officials regarding their private interests in relation to their public responsibilities, by conducting investigations into allegations of conflicts of interest against Members, and by promoting the understanding by Members, senior officials and the public of the obligations regarding conflict of interest contained in legislation or directive.

### Note 3 Summary of Significant Accounting Policies and Reporting Practices

These financial statements are prepared in accordance with Canadian generally accepted accounting principles:

a) Reporting Entity

The reporting entity is the Office of the Ethics Commissioner, for which the Ethics Commissioner is responsible.

The Office operates within the General Revenue Fund (the "Fund"). The Fund is administrated by the Minister of Finance. All cash receipts of the Office are deposited into the Fund and all cash disbursements made by the Office are paid from the Fund. Net transfer from general revenues is the difference between all cash receipts and all cash disbursements made.

Note 3 Summary of Significant Accounting Policies and Reporting Practices (continued)

b) Basis of Financial Reporting

Revenues

All revenues are reported on the accrual basis of accounting.

Expenses

Expenses represent the costs of resources consumed during the year on the Office's operations.

Valuation Adjustments

Valuation adjustments include changes in the valuation allowances used to reflect financial assets and liabilities at their net recoverable or other appropriate value. Valuation adjustments also represent the change in management's estimate of future payments arising from obligations relating to vacation pay.

Assets

Tangible capital assets are amortized on a straight-line basis, over the estimated useful lives of the assets as follows:

| | |
|---|---|
| Computer hardware and software | 3 years |
| Furniture and other office equipment | 10 years |

The Office follows government budgetary practices which allow funds from an operating budget to be used to purchase capital assets costing less than $15,000. These purchases are included in expenses on the statement of operations, but are then removed from expenses through a non-budgetary adjustment and are capitalized and amortized over their useful lives. The Office of the Ethics Commissioner capitalizes assets if their useful life is expected to be longer than 1 year and the purchase cost is $2,500 or greater ($250 for fiscal years prior to and including March 31, 2003).

Liabilities

Liabilities include all financial claims payable by the Office at fiscal year end.

Note 3 Summary of Significant Accounting Policies and Reporting Practices (continued)

b) Basis of Financial Reporting

Net Liabilities

Net liabilities represent the difference between the value of assets held by the Office and its liabilities.

Valuation of Financial Assets and Liabilities

Fair value is the amount of consideration agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

The fair values of accounts payable and accrued vacation pay are estimated to approximate their book values, due to the short-term nature of these items.

Note 4 Capital Assets

| | 2004 | | | 2003 |
|---|---|---|---|---|
| | Cost | Accumulated Amortization | Net Book Value | Net Book Value |
| Computer hardware and software | $ 25,052 | $ 21,977 | $ 3,075 | $ 11,426 |
| Furniture and other office equipment | 17,278 | 5,106 | 12,172 | 13,899 |
| | $ 42,330 | $ 27,083 | $ 15,247 | $ 25,325 |

Note 5 Defined Benefit Plans

The Office participates in the multiemployer pension plans, the Management Employees Pension Plan and the Public Service Pension Plan. The expense for these pension plans is equivalent to the annual contributions of $11,803 for the year ending March 31, 2004 (2003 $9,307).

Note 5 Defined Benefit Plans (continued)

At December 31, 2003, the Management Employees Pension Plan reported an actuarial deficiency of $290,014,000 (2002-deficiency $301,968,000) and the Public Service Pension Plan reported a deficiency of $596,213,000. (2002 – actuarial deficiency $175,528,000).

The Office also participates in a multiemployer Long Term Disability Income Continuance Plan. At March 31, 2004, the Management, Opted Out and Excluded Plan reported an actuarial surplus of $1,298,000 (2003-actuarial deficiency $3,053,000). The expense for this plan is limited to employer's annual contributions for the year.

Note 6 Budget

| Expenses | |
|---|---|
| 2003-2004 budget[a] | $ 387,000 |
| 2003-2004 actual expenses (excluding valuation adjustments) | 304,620 |
| 2003-2004 surplus (excluding valuation adjustments) | $ 82,380 |

[a] Legislative Assembly Estimates released on April 8, 2003

Note 7 Lease Obligations

The office leases a photocopier under an operating lease that expires in December 2006. The aggregate amount payable for the unexpired term of this lease is as follows:

| | |
|---|---|
| 2005 | $ 2,340 |
| 2006 | 2,340 |
| 2007 | 1,755 |
| Total | $ 6,435 |

Note 8 Approval of Financial Statements

These financial statements were approved by the Ethics Commissioner.

Schedule 1

OFFICE OF THE ETHICS COMMISSIONER
SALARY AND BENEFITS DISCLOSURE
FOR THE YEAR ENDED MARCH 31, 2004

| | 2004 | | | | 2003 |
|---|---|---|---|---|---|
| | Base Salary (1) | Other Cash Benefits (2) | Other Non-Cash Benefits (3) | Total | Total |
| Senior official | | | | | |
| Ethics Commissioner (4) | $ 87,742 | $ 8,700 | $ 6,755 | $ 103,197 | $ 134,250 |

(1) Base salary includes contract payments for the period May 28, 2003 to March 31, 2004.

(2) Other cash benefits include monthly payment in lieu of employee participating in the Management Employee Pension Plan.

(3) Employer's share of all employee benefits and contributions or payments made on behalf of the employee including CPP/EI premiums, Alberta Health Care, dental, prescription drug and extended medical coverage, group life insurance, long-term disability plan and WCB premiums.

(4) An automobile was provided from June 3, 2003 to March 31, 2004 but not included in other non-cash benefit figures.